

# Chapter 07

## Charitable and Nonprofit Organization Rules

Rules Up for Discussion and Possible Filing

ITEM XX:

a) Rules Simplification Project

# Charitable and Nonprofit Organization Rules

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## Rule Up For Filing

Proposed Change to  
WAC 230-10  
Director Approvals.

ITEM __ (a) on the January 12, 2006, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Staff.	
Proposed Change	
In several of the rules the director or director's designee approves or takes an action. We have re-evaluated the rules with these director delegations with Director Day and made policy decisions about which of them require the director to become involved and which may be delegated to commission staff.	
History of Rule	
Directors have for a number of years delegated those decision-making duties to the deputy director, assistant directors, administrators, supervisors, special agents, and staff.	
Impact of the Proposed Change	
The rule change will cause no impact to licensees or staff.	
Regulatory Concerns	
None.	
Resource Impacts	
None.	
Policy Consideration	
None.	
Stakeholder Statements For the Proposed Rule Change	
None.	
Stakeholder Statements Against the Proposed Rule Change	
None.	
Licensees Directly Impacted	
Charitable and nonprofit licensees.	
Staff Recommendation	
Filing for further discussion	
Proposed Effective Date for Rule Change	
<b>January 1, 2008.</b>	

## Rules affected by this change

**Current Rule:** 230-08-255 Bona fide charitable or nonprofit organizations—  
Qualification review—Significant progress required—Exception.

**New Rule:** 230-07-080 Qualification reviews for Groups III, IV and V.

**New Rule:** 230-07-045 Obtaining a waiver for significant progress requirements.

**Current Rule:** 230-02-137 Excessive reserves defined.

**New Rule:** 230-07-050 Defining "excessive reserves."



## Rule Up For Filing

Proposed Change to  
WAC 230-10  
"Fiscal" year.

ITEM __ (a) on the January 12, 2006, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Staff.	
Proposed Change	
We propose changing all references to the time for which licensees report their financial data to "fiscal" year. This change will add consistency to the reporting period.	
History of Rule	
The existing WAC rules have "calendar year," "license year," "fiscal year," "preceding 12 months," and other variations of wording. Because the rules were written at different times, the inconsistencies crept into the language.	
Impact of the Proposed Change	
We discovered as we were rewriting the chapter that RCW 9.46.0209 requires, "An organization must demonstrate to the commission that it has made significant progress toward the accomplishment of the purposes of the organization during the twelve consecutive month period preceding the date of application for a license or license renewal." Therefore, staff will begin realigning licensees' renewal periods to fit with their fiscal years, so that they will continue to report on their fiscal year, but it will match our statutory requirement that the data record the 12 months preceding licensing or renewal.	
Regulatory Concerns	
None.	
Resource Impacts	
None.	
Policy Consideration	
None.	
Stakeholder Statements For the Proposed Rule Change	
None.	
Stakeholder Statements Against the Proposed Rule Change	
None.	
Licensees Directly Impacted	
Charitable and nonprofit licensees.	
Staff Recommendation	
Filing for further discussion	
Proposed Effective Date for Rule Change	
January 1, 2008.	

## Rules affected by this change

**Current Rule:** 230-08-015 Certain lower volume licensees may meet reduced recordkeeping requirements.

**New Rule:** 230-07-125 Recordkeeping requirements for lower volume charitable or nonprofit organizations.

**Current Rule:** 230-08-095 Minimum standards for monthly and annual accounting records -- Charitable or nonprofit organizations.

**New Rule:** Minimum accounting records for Class D and above bingo licensees and licensees with combined activities over \$500,000

**Current Rule:** 230-08-122 Annual progress and financial report -- All nonprofit and charitable organizations.

**New Rule:** 230-07-020 Making "significant progress."

**Current Rule:** 230-08-125 Annual activity reports -- Certain activities operated by charitable or nonprofit organizations.

**New Rule:** 230-07-145 Reporting annual progress.

**New Rule:** 230-07-155 Reporting annual activity for raffles, amusement games, Class A, B, or C bingo, or combination licenses.

**Current Rule:** 230-08-250 Annual activity reports by agricultural fairs and other bona fide charitable or nonprofit organizations with special location licenses to conduct bingo, raffles, and amusement games.

**New Rule:** 230-07-155 Reporting annual activity for raffles, amusement games, Class A, B, or C bingo, or combination licenses.

**New Rule:** 230-07-160 Reporting annual activity for agricultural fairs.





**230-07-001 Defining "charitable or nonprofit licensee."**

In this section of the rules, "Charitable or nonprofit licensees" means the same as a bona fide charitable or nonprofit organization as defined in RCW 9.46.0209.

[Statutory Authority: RCW 9.46.070.]

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**230-07-005 "Licensees," "licensee," "organizations," and "organization" defined.**

(1) In this chapter, "licensee" and "licensees" means those charitable or nonprofit organizations which we require to be licensed to conduct gambling activities.

(2) In this chapter, "organization" and "organizations" means:

- (a) Licensees; and
- (b) All bona fide charitable or nonprofit organizations conducting unlicensed gambling activities authorized by RCW 9.46.

[Statutory Authority: RCW 9.46.070.]

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**230-07-010 Use of gambling proceeds.**

(1) Except qualified agricultural fairs, charitable or nonprofit organizations must use all net income from gambling activities remaining after paying necessary expenses of operating the gambling activities exclusively for the lawful purpose(s) of the organization stated on the organization's license application.

(2) Licensees may conduct a gambling activity for the charitable benefit of specific person(s) whom the licensee has listed as recipient(s) of the proceeds, or a specified portion of the proceeds, if licensees obtain approval from us before they conduct the activity.

[Statutory Authority: RCW 9.46.070.]

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**230-07-015 Regulatory group assignments.**

(1) We assign charitable or nonprofit licensees to regulatory groups based on the annual gross gambling receipts for their combined licensed activities.

(2) Licensees must comply with requirements applicable to the regulatory group to which we have assigned them. The regulatory groups are:

(a) Group I	Combined annual gross receipts up to three hundred thousand dollars.
(b) Group II	Combined annual gross receipts up to one million dollars.
(c) Group III	Combined annual gross receipts up to three million dollars.
(d) Group IV	Combined annual gross receipts up to five million dollars.

(e) Group V	Combined annual gross receipts over five million dollars.
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[Statutory Authority: RCW 9.46.070.]

### **230-07-020 Making "significant progress."**

Charitable or nonprofit licensees in Groups IV and V must make "significant progress" toward their stated purpose. They have made "significant progress" when they have:

- (1) Complied with all requirements set forth in their bylaws and articles of incorporation; and
- (2) Actively engaged in providing services to the public or their members during the fiscal year under review, and the services directly relate to the stated purposes of the organization; and
- (3) Held elections to select officers at least once in the previous two years; and
- (4) Held a general membership meeting to conduct the business of the organization at least once in the previous two years; and
- (5) Used a substantial portion of the licensees' "available resources" for providing program services during the fiscal year under review. For purposes of this section, "available resources":
  - (a) Include the income generated by or from:
    - (i) The net of all activities used to raise funds, including net gambling income; and
    - (ii) Grants, gifts, and contributions from private sources; and
    - (iii) Public support.
  - (b) Does not include:
    - (i) Funds generated in periods other than the fiscal year under review; or
    - (ii) Funds that are raised or contributed from outside the organization for purposes of purchasing land or capital assets or to endow future operations when those funds are specifically identified by the board or contributors as restricted and separately recorded in the organization's records; or
    - (iii) Net income from the sale of assets; or
    - (iv) Fees paid by members or the public to receive services or to participate in specific activities. (Example: fees to attend a swimming lesson or event.) These fees must be classified as a reduction to both program service and supporting service expenses on a pro rata basis and as a reduction to resources available for providing services in the fiscal year. (Example: In the chart below, licensee X has revenue of five thousand dollars. They must calculate the pro rata reduction by adjusting the total by the percentages of support services, program services expenses, and functional expenses.)

Revenue	
Fees paid by public	\$5,000

<b>Calculation:</b>					
<b>Expenses</b>	<b>Unadjusted Amount</b>	<b>% of Total</b>	<b>Pro rata Reduction Fees Paid by public (\$5,000)</b>	<b>% of Total</b>	<b>Adjusted Amount</b>
Support Service Expense	\$35,000	32%	(\$1591)	32%	\$33,409
Program Service Expense	\$75,000	68%	(\$3,409)	68%	\$71,591
Functional Expenses	\$110,000	100%	(\$5,000)	100%	\$105,000

[Statutory Authority: RCW 9.46.070.]

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## Rule Up For Filing

Proposed Movement of  
WAC 230-07-025

Additional requirements for "significant progress" for Groups IV and V.

ITEM __ (a) on the January 12, 2006, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Staff.	
Proposed Change	
We propose removing the definition of "functional expenses" from this rule because the definition is in the next rule and creates a redundancy.	
History of Rule	
This rule was originally passed by the Commission in 1994, but has been amended as recently as 2002.	
Impact of the Proposed Change	
It eliminates redundancy.	
Regulatory Concerns	
None.	
Resource Impacts	
None.	
Policy Consideration	
None.	
Stakeholder Statements For the Proposed Rule Change	
None.	
Stakeholder Statements Against the Proposed Rule Change	
None.	
Licensees Directly Impacted	
Charitable or nonprofit licensees.	
Staff Recommendation	
Filing for discussion.	
Proposed Effective Date for Rule Change	
January 1, 2008.	

## **PROPOSED RULE**

### **230-07-025 Additional requirements for "significant progress" for Groups IV and V.**

In addition to meeting the significant progress requirements for Groups I, II, and III, Group IV and V charitable or nonprofit licensees must also prove they:

- (1) Expended at least sixty percent of net gambling income earned in the licensee's most recently completed fiscal year on "functional expenses" to operate the organization's programs; and
- (2) Used no more than thirty-five percent of total functional expenses to provide supporting services. If licensees used more than fifty percent of total program services expenses to provide program services through indirect methods (those which are external to the organization), such as grants, contributions, and/or scholarships, then supporting services expenses must not exceed twenty percent of functional expenses.

[Statutory Authority: RCW 9.46.0261. RCW 9.46.0209. RCW 9.46.070.]

## **CURRENT RULE**

### **WAC 230-08-255 Bona fide charitable or nonprofit organizations — Qualification review — Significant progress required — Exception.**

*Groups IV and V - Significant progress.*

(3) In addition to the criteria outlined above, any organization requesting to be certified to operate gambling activities at Group IV or V levels, as defined in WAC 230-12-076, shall demonstrate it has made significant progress by providing evidence that:

- (a) It has expended at least sixty percent of net gambling income earned in the organization's most recently completed FISCAL year on functional expenses to operate the organization's programs. Functional expenses consist of both program and supporting services; and

(b) Available resources were utilized in an efficient manner during the period. Available resources will be deemed to be utilized in an efficient manner when no more than thirty-five percent of total functional expenses are utilized to provide supporting services as defined by WAC 230-02-279: Provided, That if more than fifty percent of total program services expenses was utilized to provide program services through indirect methods (those which are external to the organization) such as grants, contributions, and/or scholarships, then supporting services expenses shall not exceed twenty percent of functional expenses.

[Statutory Authority: RCW 9.46.070. 02-10-002 (Order 412), § 230-08-255, filed 4/18/02, effective 7/1/02; 00-23-077 (Order 393), § 230-08-255, filed 11/17/00, effective 12/31/00; 98-19-132 (Order 363), § 230-08-255, filed 9/23/98, effective 1/1/99. Statutory Authority: RCW 9.46.070 (1), (8-11), (14), (16), (20). 96-07-075, § 230-08-255, filed 3/19/96, effective 7/1/96. Statutory Authority: RCW 9.46.070, 9.46.0261 and 9.46.0209. 94-01-035, § 230-08-255, filed 12/6/93, effective 1/6/94.]

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### **230-07-030 Defining "functional expenses."**

"Functional expenses" means those expenses a charitable or nonprofit licensee incurs toward accomplishing its stated purpose(s). Functional expenses include both "program services" and "supporting services."

[Statutory Authority: RCW 9.46.070.]

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### **230-07-035 Defining "program service expenses."**

(1) "Program service expenses" means those expenses relating to providing care, support, or assistance to individuals, or sponsoring or conducting activities that directly relate to the licensee's stated purpose(s).

(2) We consider "program service expenses" services the licensee provided:

- (a) Directly through programs to the public or the licensee's members;  
or
- (b) Indirectly through:
  - (i) Contributions to individuals or to other service-providing organizations; or
  - (ii) Funding scholarships; or
  - (iii) Sponsoring activities directly related to any organizational purposes.

(3) We consider soliciting new members or volunteers, or announcements and publications intended to educate the public about specific services or programs to be program service expenses.

(4) Expenses allocated to more than one service must be divided out according to their function. Licensees must document the methods of allocation and make them available for our review.

[Statutory Authority: RCW 9.46.0209; RCW 9.46.070.]

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### **230-07-040 Defining "supporting services expenses."**

(1) "Supporting service expenses" means those expenses relating to activities that are essential to the general operation of the licensee's programs, but which are not directly identifiable to a specific program. Supporting service expenses typically include:

- (1) Management; and
- (2) General overhead; and
- (3) Any expenses related to soliciting contributions.

(2) We consider the following supporting service expenses:

- (a) Wages and benefits for persons involved in the general operation of the organization, such as:

- (i) Executive directors and other management, or
  - (ii) Support personnel like secretaries, receptionists, and bookkeepers; and
- (b) Expenses related to:
- (i) Providing an administrative office, including rent, depreciation, interest, utilities, taxes, insurance, and supplies; and
  - (ii) General management functions of the organization such as planning and budgeting, recruiting and training staff, and purchasing and distributing materials; and
  - (iii) Scheduling and conducting board, committee, and membership meetings; and
  - (iv) Publicizing the general organization; and
  - (v) Outside supporting services such as accounting, audit, and legal; and
  - (vi) Soliciting contributions or grants; and
  - (vii) Any net loss from nongambling fund-raising activities.

(3) Supporting service expenses do not include items which are unusual and infrequent in nature, for example, repairs from a fire.

(4) Expenses allocated to more than one service must be divided out according to their function. Licensees must document the methods of allocation and make them available for our review.

[Statutory Authority: RCW 9.46.070.]

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## Rule Up For Filing

Proposed Amendment of  
WAC 230-07-045

Obtaining a waiver for significant progress requirements.

ITEM __ (a) on the January 12, 2006, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Staff.	
Proposed Change	
We are seeking this change so that an Administrative Law Judge (ALJ) would conduct the hearing, not the director.	
History of Rule	
This rule was passed in 1994, but was amended as recently as 2002.	
Impact of the Proposed Change	
Changes who would hold the hearing and the type of hearing that would be held.	
Regulatory Concerns	
None.	
Resource Impacts	
None.	
Policy Consideration	
None.	
Stakeholder Statements For the Proposed Rule Change	
None.	
Stakeholder Statements Against the Proposed Rule Change	
None.	
Licensees Directly Impacted	
Charitable or nonprofit licensees.	
Staff Recommendation	
Filing for discussion.	
Proposed Effective Date for Rule Change	
January 1, 2008.	



## **PROPOSED RULE**

### **230-07-045 Obtaining a waiver for significant progress requirements.**

- (1) If a charitable or nonprofit licensee is unable to demonstrate that it has made significant progress, the licensee may request, in writing, a waiver for all, or a portion, of the requirements.
- (2) In the waiver request, the organization's board must:
  - (a) Acknowledge that it is aware of the circumstances; and
  - (b) Show it has taken steps to correct the situation which prevented compliance; and
  - (c) Show it has approved a plan that addresses delivery of program services in the future; and
  - (d) Show that the organization expended at least twenty-five percent of its net gambling income to provide program services in the period under review. We may consider the purchase of non-depreciable assets for program purposes as part of this percentage.
- (3) When deciding to approve or deny a waiver, we consider whether the licensee:
  - (a) Had a temporary inability to comply due to unusual circumstances; and
  - (b) Is reserving funds to start or expand specific programs in the future; and
  - (c) Used a substantial amount of capital assets that are not subject to depreciation or amortization to provide program services, for example, fully depreciated building or equipment; fully amortized leasehold improvements; assets which are not normally depreciated, such as land used for athletic fields, riding areas, or parks; and
  - (d) Conducted a substantial portion of its services through volunteers.
- (4) If we deny the waiver, the licensee may request a brief adjudicative hearing before an administrative law judge under the provisions of WAC 230 and RCW 34.05.

[Statutory Authority: RCW 9.46.0209. RCW 9.46.070.]

## **CURRENT RULE**

### **WAC 230-08-255 Bona fide charitable or nonprofit organizations — Qualification review — Significant progress required — Exception.**

*Waivers.*

- (6) An organization that is unable to demonstrate it has made significant progress by complying with the financial standards and procedures set forth elsewhere in this section may request the director to waive all or portions of the requirements. The following requirements and procedures shall be used to evaluate waivers:
  - (a) In determining whether to grant such a waiver, the director may consider the following:
    - (i) Whether the organization's inability to comply is temporary and due to unusual circumstances;
    - (ii) Whether the organization is reserving funds to start or expand specific programs in the future;

- (iii) Whether the organization utilizes a substantial amount of capital assets that are not subject to depreciation or amortization to provide program services. Examples are: Fully depreciated building or equipment; fully amortized leasehold improvements; assets which are not normally depreciated such as land used for athletic fields, riding areas, parks, etc.; and
  - (iv) Whether the organization conducts a substantial portion of its services through volunteers.
- (b) In order for the director to consider a waiver, the organization shall meet the following requirements:
- (i) The organization's board shall acknowledge in writing that they are aware of the circumstances, have taken steps to correct the situation which prevented compliance, and have approved a plan that addresses delivery of program services in the future; and
  - (ii) The organization must expend at least twenty-five percent of its net gambling income to provide program services in the current period; however, the purchase of nondepreciable assets for program purposes may be considered as part of this percentage.
- (c) The director will provide the licensee a hearing pursuant to WAC 230-50-010(6), if a waiver will be denied.

[Statutory Authority: RCW 9.46.070. 02-10-002 (Order 412), § 230-08-255, filed 4/18/02, effective 7/1/02; 00-23-077 (Order 393), § 230-08-255, filed 11/17/00, effective 12/31/00; 98-19-132 (Order 363), § 230-08-255, filed 9/23/98, effective 1/1/99. Statutory Authority: RCW 9.46.070 (1), (8-11), (14), (16), (20). 96-07-075, § 230-08-255, filed 3/19/96, effective 7/1/96. Statutory Authority: RCW 9.46.070, 9.46.0261 and 9.46.0209. 94-01-035, § 230-08-255, filed 12/6/93, effective 1/6/94.]

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## Rule Up For Filing

Proposed Movement of  
WAC 230-07-050  
Defining "excessive reserves."

ITEM __ (a) on the January 12, 2006, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Staff.	
Proposed Change	
We require licensees to provide data for a worksheet which we then fill out to determine if they have excessive reserves. This worksheet uses "the total amount of the organization's cash, cash equivalents, <u>and</u> other assets." The rule, in section one, says "cash equivalents <u>or</u> other assets." We're correcting the WAC to align with the worksheet information we require from licensees.	
History of Rule	
This WAC was originally passed in 1996. We discovered the incorrect usage of "or" rather than "and" earlier this year.	
Impact of the Proposed Change	
Minimal. Licensees already provide this information.	
Regulatory Concerns	
None.	
Resource Impacts	
None.	
Policy Consideration	
None.	
Stakeholder Statements For the Proposed Rule Change	
None.	
Stakeholder Statements Against the Proposed Rule Change	
None.	
Licensees Directly Impacted	
Charitable or nonprofit licensees.	
Staff Recommendation	
Filing for discussion.	
Proposed Effective Date for Rule Change	
January 1, 2008.	

## **PROPOSED RULE**

### **230-07-050 Defining "excessive reserves."**

(1) "Excessive reserves" means the total amount of the licensee's cash, cash equivalents, and other assets that would not normally be associated with providing programs or fund-raising activities is greater than the sum of:

- (a) The licensee's current liabilities, which means debts due within one year; plus
- (b) Total functional expenses during the most recently completed fiscal year; plus
- (c) The average net income or loss from combined gambling and retail sales conducted in conjunction with gambling activities for a three-month period. This average is calculated by dividing annual net gambling and retail sales income or loss by four.

(2) However, we may approve the exclusion of funds reserved to start or expand specific programs from the computation of excessive reserves.

## **CURRENT RULE**

### **WAC 230-02-137 Excessive reserves defined.**

An organization has excessive reserves if the total amount of the organization's cash, cash equivalents, or other assets that would not normally be associated with providing programs or fund-raising activities is greater than the sum of:

- (1) The licensee's current liabilities (debts due within one year); plus
- (2) Total functional expenses during the most recently completed fiscal year; plus
- (3) The average net income or loss from combined gambling and retail sales conducted in conjunction with gambling activities for a three-month period, calculated by dividing annual net gambling and retail sales income or loss by four: Provided, That funds reserved to start or expand specific programs will be excluded from the computation of excessive reserves, as authorized by WAC 230-08-255(3), with approval by the commission's director.

[Statutory Authority: RCW 9.46.070 (1), (8-11), (14), (16), (20). 96-07-075, § 230-02-137, filed 3/19/96, effective 7/1/96.]

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**230-07-055 Pro rating expenses when gambling funds are not kept separate.**

When charitable or nonprofit organizations do not keep gambling income separate from all other income of the organization, the amount of net gambling income required to provide functional expenses in the fiscal year under review must be the pro rata portion of net gambling income compared to the total net revenue from all sources. (Example: In the chart below, Organization X has revenue of five thousand dollars. They must calculate the pro rata reduction by adjusting the total by the percentages of support services, program services, and functional expenses.)

<b>Revenue</b>					
Fees paid by public					\$5,000
<b>Calculation:</b>					
<b>Expenses</b>	<b>Unadjusted Amount</b>	<b>% of Total</b>	<b>Pro rata Reduction Fees Paid by public (\$5,000)</b>	<b>% of Total</b>	<b>Adjusted Amount</b>
Support Service Expense	\$35,000	32%	(\$1591)	32%	\$33,409
Program Service Expense	\$75,000	68%	(\$3,409)	68%	\$71,591
Functional Expenses	\$110,000	100%	(\$5,000)	100%	\$105,000

[Statutory Authority: RCW 9.46.0261 and 9.46.0209. RCW 9.46.070.]

**WAC 230-08-255 Bona fide charitable or nonprofit organizations — Qualification review — Significant progress required — Exception.**

Gambling income not separate from other income.

(5) When an organization does not keep gambling income separate from all other income of the organization, the amount of net gambling income required to provide functional expenses in the year under review shall be the pro rata portion of net gambling income compared to the total net revenue from all sources.

[Statutory Authority: RCW 9.46.070. 02-10-002 (Order 412), § 230-08-255, filed 4/18/02, effective 7/1/02; 00-23-077 (Order 393), § 230-08-255, filed 11/17/00, effective 12/31/00; 98-19-132 (Order 363), § 230-08-255, filed 9/23/98, effective 1/1/99. Statutory Authority: RCW 9.46.070 (1), (8-11), (14), (16), (20). 96-07-075, § 230-08-255, filed 3/19/96, effective 7/1/96. Statutory Authority: RCW 9.46.070, 9.46.0261 and 9.46.0209. 94-01-035, § 230-08-255, filed 12/6/93, effective 1/6/94.]

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## Rule Up For Filing

Proposed Movement of  
WAC 230-07-060

Independent management structure required.

ITEM __ (a) on the January 12, 2006, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Staff.	
Proposed Change	
We propose clearly stating the underlying assumption that part of licensees maintaining an independent management structure is supervising and operating gambling activities according to gambling laws and our rules.	
History of Rule	
This WAC was originally passed in 1994, but was amended in 2000.	
Impact of the Proposed Change	
We are making clear what was an implied requirement of an independent management structure.	
Regulatory Concerns	
None.	
Resource Impacts	
None.	
Policy Consideration	
None.	
Stakeholder Statements For the Proposed Rule Change	
None.	
Stakeholder Statements Against the Proposed Rule Change	
None.	
Licensees Directly Impacted	
Charitable or nonprofit licensees.	
Staff Recommendation	
Filing for discussion.	
Proposed Effective Date for Rule Change	
January 1, 2008.	



## **PROPOSED RULE**

### **230-07-060 Independent management structure required.**

(1) Charitable or nonprofit organizations and their officers or board of directors have an affirmative responsibility to conduct gambling activities according to the legislative intent in RCW 9.46.

(2) Organizations must develop and maintain an independent management control system that ensures they:

- (a) Create an operating environment that makes it possible to implement the policies of the officers or board of directors; and
- (b) Supervise and operate gambling activities according to gambling laws and our rules; and
- (c) Protect all assets of the organization from misuse or embezzlement; and
- (d) Use gambling proceeds solely to advance the purposes of their organization.

[Statutory Authority: RCW 9.46.0209. RCW 9.46.070.]

## **CURRENT RULE**

### **WAC 230-12-078 Bona fide charitable or nonprofit organizations — Responsibilities — Independent management control structure required.**

It shall be the affirmative responsibility of each charitable or nonprofit organization licensed to conduct gambling activities, and its officers or board of directors, to ensure the legislative intent regarding gambling activities is met.

#### **Independent management control system for all charitable/nonprofit organizations.**

(1) This responsibility shall be fulfilled by developing and maintaining an independent management control system that ensures the following:

- (a) Gambling activities are closely supervised and operated according to commission guidelines;
- (b) Gambling proceeds are used solely to advance the purposes of the organization;
- (c) All assets of the organization are protected from misuse or defalcation; and
- (d) An operating environment that facilitates implementation of the officers' or board of directors' policies is maintained.

...

[Statutory Authority: RCW 9.46.070. 00-07-140 (Order 381), § 230-12-078, filed 3/22/00, effective 7/1/00. Statutory Authority: RCW 9.46.070, 9.46.0261 and 9.46.0209. 94-01-035, § 230-12-078, filed 12/6/93, effective 1/6/94.]

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### **230-07-065 Group III, IV, and V management control system.**

Charitable or nonprofit licensees assigned to Groups III, IV, and V must develop and implement a management control system that:

(1) Is overseen by an independent group of officers or board of directors who have been elected by a process in which all full and regular members have a single vote; and

(2) Includes written policies which set the responsibilities of and establish the scope of authority delegated to officers, board of directors, and employees; and

(3) Includes affirmative management and accounting controls to ensure that all funds and other assets directly or indirectly obtained with gambling proceeds are protected from misuse, are dedicated solely to the purposes of the organization, and do not inure to the private use of any person. For purposes of this section, we do not consider the following uses of gambling proceeds inurement:

(a) Providing program services to members or the public; or

(b) Costs for necessary expenses, including salaries or wages for services to perform the purposes of the organization. Salaries or wages paid to members, officers, board of directors, or their direct relatives, are not inurement if they are necessary, reasonable, and an independent management system makes the decision to pay them; and

(4) Includes a planning process to set goals for uses of gambling proceeds and allows the officers or board of directors to monitor progress toward those goals. Organizations reserving funds in endowments or trust funds must have a formal business plan or budget outlining uses of those funds; and

(5) Includes a system of internal accounting controls designed to reduce errors, minimize the risk of embezzlement, and safeguard assets. The licensee's officers or board of directors must implement procedures to monitor established controls for compliance. The internal accounting control system must include at least:

(a) Management approval for expenditures; and

(b) Access to assets is restricted to those individuals management authorizes; and

(c) Recording procedures for all transactions in accordance with generally accepted accounting principles (GAAP). Licensees must record transactions with enough detail to maintain accountability for assets; and

(d) Periodic comparison of recorded assets to physical assets and reconciliation of all differences. "Reconcile" means the licensee must compare the two balances, resolve any differences, and document the comparison and the differences in writing. Licensees must keep the reconciliation as part of their records.

(6) Is documented and available for our review.  
[Statutory Authority: RCW 9.46.0209. RCW 9.46.0261. RCW 9.46.070.]

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## Rule Up For Filing

Proposed Addition of  
WAC 230-07-070  
Defining "Direct Relatives."

ITEM __ (a) on the January 12, 2006, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Staff.	
Proposed Change	
We propose adding a very concise definition for the phrase "direct relatives" because some ambiguity exists in the current rule.	
History of Rule	
The current rule, written in 1993 and last revised in 2000, states that conflicts of interest must be avoided. A presumption of a conflict of interest exists when officers "... are directly or indirectly responsible for supervision of, or have decision-making authority over transactions that may result in direct or indirect financial or personal benefit to: Their direct relatives, including spouses, parents, children, siblings, <i>and similar relationships</i> , whether by blood, adoption, or marriage..." The phrase "and similar relationships" can be construed in a number of different ways. We propose adding the definition to limit the ambiguity.	
Impact of the Proposed Change	
The rule change will cause no impact to licensees or staff.	
Regulatory Concerns	
None.	
Resource Impacts	
None.	
Policy Consideration	
None.	
Stakeholder Statements For the Proposed Rule Change	
None.	
Stakeholder Statements Against the Proposed Rule Change	
None.	
Licensees Directly Impacted	
Charitable and nonprofit licensees.	
Staff Recommendation	
Filing for further discussion	
Proposed Effective Date for Rule Change	
<b>January 1, 2008.</b>	

## **230-07-070 Defining "Direct Relatives."**

"Direct relative" means spouses, parents, grandparents, uncles, aunts, children, siblings, nieces, or nephews, whether by blood, adoption, or marriage.

[Statutory Authority: RCW 9.46.070.]

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## **WAC 230-12-078 Bona fide charitable or nonprofit organizations — Responsibilities — Independent management control structure required.**

It shall be the affirmative responsibility of each charitable or nonprofit organization licensed to conduct gambling activities, and its officers or board of directors, to ensure the legislative intent regarding gambling activities is met.

*Independent management control system for all charitable/nonprofit organizations.*

- (1) This responsibility shall be fulfilled by developing and maintaining an independent management control system that ensures the following:
  - (a) Gambling activities are closely supervised and operated according to commission guidelines;
  - (b) Gambling proceeds are used solely to advance the purposes of the organization;
  - (c) All assets of the organization are protected from misuse or defalcation; and
  - (d) An operating environment that facilitates implementation of the officers' or board of directors' policies is maintained.

*Group III, IV or V management control system.*

- (2) Each charitable or nonprofit organization licensed to conduct gambling activities in Groups III, IV or V, as defined in WAC 230-04-040, shall fulfill its responsibilities by:
  - (a) Developing and implementing a management control system which:
  - (b) Will be overseen by an independent slate of officers or board of directors, that has been elected by a process in which all active members have a single vote;
  - (c) Includes written policies which set the responsibilities of officers, board of directors, and employees;
  - (d) Includes written policies establishing the scope of authority delegated to officers, board of directors, and employees;
  - (e) Includes affirmative management and accounting controls that ensure that all funds and other assets directly or indirectly obtained with gambling proceeds are protected from misuse, dedicated solely to the purposes of the organization, and do not inure to the private use of any person. For purposes of this section, the following uses of gambling proceeds shall not be deemed inurement:
    - (i) Providing program services to members or the public; or
    - (ii) Expenditures for necessary expenses, including salaries or wages for services to perform the purposes of the organization. Salaries or wages paid to members, officers, board of directors, or

direct family members of any of the preceding, shall not be deemed inurement if they are necessary, reasonable, and the decision to pay such is made in an independent management control environment.

(f) Includes a planning process that sets goals regarding uses of gambling proceeds and allows the officers or board of directors to monitor progress toward meeting such goals: Provided, That organizations reserving funds in endowments or trust funds under limitations in WAC 230-04-024 (8)(b) and (c) must have a formal business plan or budget outlining uses of such;

(g) Includes a system of internal accounting controls that is designed to reduce errors, minimize risk of defalcations, and safeguard assets. The organization's officers or board of directors shall implement procedures to monitor established controls for compliance. The internal accounting control system shall include at least the following controls:

(i) Management approval for expenditures;

(ii) Procedures that restrict access to assets to only those individuals authorized by management;

(iii) Procedures to ensure all transactions are recorded in accordance with generally accepted accounting principles.

Transactions shall be recorded with enough detail to maintain accountability of assets; and

(iv) Periodic comparison of recorded assets to physical assets and reconciliation of all differences.

(h) Will be documented and available for commission staff review.

*Independent operating environment - conflicts of interest.*

(3) Maintaining an independent operating environment. An organization's operating environment will be independent when its officers, board members, and supervisory level employees completely separate their personal interests and the interest of the organization: Provided, That an organization shall not be in violation of this section if individual officers or board members acknowledge potential conflicts of interest and abstain from voting on issues that directly or indirectly affect their personal interest. Any potential conflicts of interest situations involving supervisor level employees must be reviewed and approved by the governing board of the organization. All discussions or balloting regarding potential conflicts of interest shall be recorded in the official meeting minutes. Any of the following actions by officers, board members, or supervisory level employees that are not approved by the board of directors and documented in the official minutes shall provide a presumption of the lack of an independent operating environment:

(a) They directly or indirectly receive financial or personal benefit from the organization or share in gambling proceeds of the organization; or

(b) They are directly or indirectly responsible for supervision of, or have decision-making authority over transactions that may result in direct or indirect financial or personal benefit to: Their direct relatives, including spouses, parents, children, siblings, and similar relationships, whether by

blood, adoption, or marriage; persons with whom they maintain a common household; or persons with whom they have a business relationship; or  
(c) They directly or, through lack of action, indirectly allow others to receive or share in the gambling proceeds of the organization.

[Statutory Authority: RCW 9.46.070. 00-07-140 (Order 381), § 230-12-078, filed 3/22/00, effective 7/1/00. Statutory Authority: RCW 9.46.070, 9.46.0261 and 9.46.0209. 94-01-035, § 230-12-078, filed 12/6/93, effective 1/6/94.]

### **230-07-075 Conflicts of interest.**

(1) Charitable or nonprofit organizations have an independent operating environment when their officers or board members and supervisory level employees have completely separated their personal interests from the interests of the organization.

(2) If individual officers or board members acknowledge potential conflicts of interest and abstain from voting on issues that directly or indirectly affect their personal interest, the organization is operating independently.

(3) The governing board of the organization must review any potential conflicts of interest involving supervisory level employees. They must record all discussions or balloting regarding potential conflicts of interest in the official meeting minutes.

(4) We will presume organizations lack an independent operating environment if the governing board fails to approve and document in the official meeting minutes any of the following by the officers, board members, or supervisory level employees:

- (a) Receiving, directly or indirectly, financial or personal benefit from the organization or share in gambling proceeds of the organization; or

- (b) Supervising, directly or indirectly, or having decision-making authority over transactions that may result in direct or indirect financial or personal benefit to:

- (i) Their direct relatives; or

- (ii) Persons with whom they maintain a common household; or

- (iii) Persons with whom they have a business relationship; or

- (c) Allowing others, directly or, through lack of action, indirectly, to receive or share in the gambling proceeds of the organization.

[Statutory Authority: RCW 9.46.0209. RCW 9.46.0261. RCW 9.46.070.]

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### **230-07-080 Qualification reviews for Groups III, IV and V.**

(1) We may review charitable or nonprofit licensees assigned to Group III and may prepare a summary of the organization's qualifications for the Commissioners' review.

(2) We will review licensees assigned to Group IV and V and prepare a summary of the organization's qualifications for the Commissioners' review at a public meeting every three years. At least one representative from the organization must attend the meeting when staff presents their qualification review.

[Statutory Authority: RCW 9.46.070; RCW 9.46.0209.]

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### **230-07-085 Compensating gambling management and operations personnel.**

(1) Charitable or nonprofit licensees must not base compensation for any employee taking part in the management or operation of the gambling activities on a percentage of the receipts or income derived from the operation of the gambling activity.

(2) Licensees must pay employees taking part in the management or operation of gambling activity a wage that is reasonable under the prevailing local wage scale for comparable employment. Wages greater than the local prevailing wage create a presumption of a violation.

[Statutory Authority: RCW 9.46.070.]

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### **230-07-090 Keeping and depositing all gambling funds separate from other funds.**

Charitable or nonprofit licensees must protect all funds generated from gambling activities and keep these funds separate from their general funds.

(1) Licensees must:

- (a) Keep a separate gambling receipts account(s) in a recognized Washington state bank, mutual savings bank, or credit union; and
- (b) Deposit only gambling receipts into that account. Licensees may deposit receipts from nongambling activities operated in conjunction with bingo games into the gambling receipts account if the licensee keeps detailed receipting records of the non-gambling receipts; and
- (c) Deposit all gambling receipts first into the account before spending or transferring them into other accounts, except for prize pay outs; and
- (d) Deposit funds received from commercial amusement game operators operating amusement games on their premises in the licensee's gambling receipts account no later than the second banking day after they receive the receipts; and
- (e) Make all deposits of net gambling receipts from each activity separately from all other deposits, and keep the validated deposit receipt as a part of their records. Deposit receipts are a part of the applicable daily or monthly records and licensees must make them available for our inspection; and
- (f) Deposit all net gambling receipts which they are holding, pending pay out:
  - (i) From bingo, no later than the second banking day after they receive them. Licensees may withhold bingo receipts from deposits for "jar," "pig," or other special game prizes if the total of all such prize funds does not exceed two hundred dollars, enter the amount withheld each session in the bingo daily record, and record the reconciliation of the special game fund on the bingo daily record. "Reconcile" means the licensee must compare the two balances, resolve any differences, and document the

- comparison and the differences in writing. Licensees must keep the reconciliation as part of their records; and
- (ii) From raffles (Class E and above) and amusement games (Class D and above), at least once each week; and
  - (iii) From punch board and pull-tabs, including cost recovery for merchandise prizes awarded, no later than two banking days after they remove the board or series from play; and
- (g) Record the Washington state identification number assigned to the punch board or pull-tab series and the amount of net gambling receipts on the deposit slip/receipt. Licensees may record the number and the receipts on a separate record if they record the bank validation number and maintain the record with the deposit slip/receipt; and
- (2) These requirements do not apply to organizations who:
- (a) Conduct only one or more of the following activities:
    - (i) Raffles under the provisions of RCW 9.46.0315;
    - (ii) Bingo, raffles, or amusement games under the provisions of RCW 9.46.0321;
    - (iii) Class A, B, or C bingo game;
    - (iv) Class A, B, C, or D raffle; or
    - (v) Class A, B, or C amusement game; and
  - (b) Do not have any other license(s) from us.

[Statutory Authority: RCW 9.46.070.]

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### **230-07-095 Fund raising events and members only raffles exempt from deposit requirements.**

Bona fide charitable or nonprofit organizations that conduct only fund raising events or members only raffles and have no other gambling licenses are exempt from having a separate gambling receipts account, but they must:

- (1) Make no expenditures, other than for prizes, until the receipts have been deposited;
- (2) Deposit all net gambling receipts within two banking days; and
- (3) Keep the validated deposit receipt with their gambling records.

[Statutory Authority: RCW 9.46.070.]

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### **230-07-100 Special banking exemption for Point Roberts Peninsula.**

Charitable or nonprofit licensees that conduct activities on Point Roberts Peninsula, Washington, may deposit funds in British Columbia branches of Canadian banks. Licensees must provide us and their Canadian bank a written release for us to have unrestricted access to the licensee's Canadian bank records and the Canadian bank must provide written confirmation of its intent to honor the licensee's release.

[Statutory Authority: RCW 9.46.050 (3); RCW 9.46.070.]

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### **230-07-105 Safeguarding prize inventory.**

(1) Charitable or nonprofit organizations must safeguard and prevent misuse or misappropriation of all assets, including items purchased, or donated, to use as prizes for gambling activities.

(2) Licensees must maintain an inventory control record for each item purchased or donated to use as prizes for gambling activities in the format we require.

[Statutory Authority: RCW 9.46.070.]

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### **230-07-110 Supervision requirements.**

Charitable or nonprofit organizations must closely supervise all persons involved with the conduct of gambling activities to ensure that they follow all gambling laws and rules.

[Statutory Authority: RCW 9.46.0205. RCW 9.46.0315, RCW 9.46.0321. RCW 9.46.0331. RCW 9.46.070.]

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### **230-07-115 Duties of charitable or nonprofit gambling managers.**

Charitable or nonprofit gambling managers must:

- (1) Be knowledgeable of the laws and rules that relate to the operation of the gambling activities and the restrictions on the use of funds made from gambling activities for which they are responsible; and
- (2) Supervise the gambling activity, including all secondary activities, such as retail sales, conducted along with gambling activities; and
- (3) Ensure:
  - (a) The business premises are maintained in a safe condition and persons participating in the activity are reasonably protected from physical harm; and
  - (b) Fair and equal participation by players in gambling activities; and
  - (c) All records are completed and correct; and
  - (d) All funds are disbursed or invested according to the directions of the officers or governing board and are used solely to further the charitable or nonprofit purpose(s) of the organization; and
- (4) Protect:
  - (a) The public from fraud; and
  - (b) The organization from players or workers committing illegal acts; and
  - (c) All gambling assets of the organization from misuse or theft; and
- (5) Safeguard funds or other assets made from gambling and secondary activities for which he or she is responsible until directly deposited in the organization's bank account.

**230-07-120 Notifying us of changes in responsibilities of charitable or nonprofit gambling managers.**

- (1) A charitable or nonprofit organization must notify us in writing when a gambling manager:
  - (a) Has been assigned primary responsibility for operating any gambling activity or disbursing funds; or
  - (b) Has terminated employment or responsibilities.
- (2) Individuals required to be licensed under WAC 230-03-235 must immediately submit a license application.
- (3) Licensees assigning gambling managers who do not require a license under WAC 230-03-145(4) must notify us in writing within ten days of changes in responsibilities by submitting:
  - (a) The full name and date of birth of the gambling manager; and
  - (b) The date the gambling manager was assigned new responsibilities or the date employment or responsibilities terminated; and
  - (c) A full description of the change in duties or responsibilities; and
  - (d) The highest ranking elected officer or the individual assigned the responsibility of supervising the gambling manager must sign the notification.



## Rule Up For Filing

Proposed Amendment of  
WAC 230-07-125

Recordkeeping requirements for lower volume charitable or nonprofit licensees.

ITEM __ (a) on the January 12, 2006, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Staff.	
Proposed Change	
In this rule, we propose removing the phrase "unless we release them from this requirement" because in practice, we do not release licensees from the requirement to maintain the records. Neither do licensees ask to be released from the requirement.	
History of Rule	
This rule was originally passed in 1974, but has been amended as recently as 1994.	
Impact of the Proposed Change	
Minimal. Licensees aren't asking to be released from the record retention.	
Regulatory Concerns	
None.	
Resource Impacts	
None.	
Policy Consideration	
None.	
Stakeholder Statements For the Proposed Rule Change	
None.	
Stakeholder Statements Against the Proposed Rule Change	
None.	
Licensees Directly Impacted	
Charitable or nonprofit licensees.	
Staff Recommendation	
Filing for discussion.	
Proposed Effective Date for Rule Change	
January 1, 2008.	

## ***Recordkeeping for Lower Volume Licensees***

### **PROPOSED RULE**

#### **230-07-125 Recordkeeping requirements for lower volume charitable or nonprofit organizations.**

(1) Organizations operating without a license under RCW 9.46.0315 or 9.46.0321 and lower volume charitable or nonprofit licensees must keep a set of permanent monthly records of the gambling activities. Lower volume licensees include:

- (a) Fund raising events;
- (b) Bingo (Classes A, B, and C);
- (c) Raffles (Classes A, B, C, and D);
- (d) Amusement games (Classes A, B, C, and D); and
- (e) Card games (Classes A, B, and C).

(2) The monthly records must include, at least:

- (a) The gross receipts from each activity;
- (b) The total amount of cash prizes actually paid out;
- (c) The total of the cost to the licensee of all merchandise prizes actually paid out for each activity;
- (d) A summary of all expenses related to each of the activities; and
- (e) The net income received from the activity, the purpose(s) for which the net income was raised, and the amount paid to each recipient.

(3) Licensees must keep these records for three years from the end of the license year for which the record was created.

(4) Organizations operating under RCW 9.46.0315 or 9.46.0321 must maintain their records for one year.

[Statutory Authority: RCW 9.46.070.]

### **CURRENT RULE**

#### **WAC 230-08-015 Certain lower volume licensees may meet reduced recordkeeping requirements.**

Notwithstanding the provisions of WAC 230-08-010, persons holding licenses issued under the classes and circumstances set out in WAC 230-04-065 and persons operating without a license under RCW 9.46.0315 and 9.46.0321 need only keep a set of permanent records of all of the activities of the licensee related to conducting the licensed activity which includes the following, by month:

- (1) The gross receipts from the conduct of each licensed activity;
- (2) The total amount of cash prizes actually paid out and the total of the cost to the licensee of all merchandise prizes actually paid out for each licensed activity;
- (3) A summary of all expenses related to each of the activities licensed; and
- (4) The net income received by the licensee from the licensed activity with a designation of the purposes for which the net income was raised and the amount paid each recipient of any part of the net income.

These records shall be maintained by the licensee for a period of not less than three years from the end of the license year for which the record is kept unless released by the commission from this requirement as to any particular record. Persons operating under RCW 9.46.0315 and 9.46.0321 without a license shall maintain the above records for a period of one year.

[Statutory Authority: RCW 9.46.070.]

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## Rule Up For Filing

Proposed Amendment of  
WAC 230-07-130

Additional recordkeeping requirements for charitable or nonprofit licensees.

ITEM __ (a) on the January 12, 2006, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Staff.	
Proposed Change	
In this rule, we propose removing the phrase "unless we release them from this requirement" because in practice, we do not release licensees from the requirement to maintain the records. Neither do licensees ask to be released from the requirement.	
History of Rule	
This rule was originally passed in 1973 and has been amended as recently as 2003.	
Impact of the Proposed Change	
Minimal. Licensees aren't asking to be released from the record retention.	
Regulatory Concerns	
None.	
Resource Impacts	
None.	
Policy Consideration	
None.	
Stakeholder Statements For the Proposed Rule Change	
None.	
Stakeholder Statements Against the Proposed Rule Change	
None.	
Licensees Directly Impacted	
Charitable or nonprofit licensees.	
Staff Recommendation	
Filing for discussion.	
Proposed Effective Date for Rule Change	
January 1, 2008.	

## ***Recordkeeping and Accounting Standards***

### **PROPOSED RULE**

#### **230-07-130 Additional recordkeeping for charitable or nonprofit licensees.**

(1) Charitable or nonprofit licensees, except agricultural fairs, must maintain records which clearly show how the licensee used or disbursed the funds from each licensed activity. These records must provide an audit trail satisfactory for us to verify that the funds were used for the licensees' stated purpose(s). These records must include, at least, canceled checks for the disbursements.

(2) Charitable or nonprofit licensees must keep these records for three years from the end of the license year for which the record was created.

[Statutory Authority: RCW 9.46.070.]

### **CURRENT RULE**

#### **WAC 230-08-010 Monthly records.**

*Charitable or nonprofit records.*

(6) With respect to those organizations licensed as qualified bona fide charitable or nonprofit organizations, except agricultural fairs, records shall clearly show in detail how the proceeds from each licensed activity obtained by the licensee were used or disbursed by that licensee. These records shall provide an audit trail satisfactory to allow verification that the funds were used for the organization's purpose(s). These records will include, but not be limited to, canceled checks for the subject disbursements; ...

(11) Each of these records shall be maintained by the licensee for a period of not less than three years from the end of the FISCAL year for which the record is kept unless released by the commission from this requirement as to any particular record or records.

[Statutory Authority: RCW 9.46.070 (4), (8), (9), (11), (14), and (17).]

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**230-07-135 Recording gifts.**

Charitable or nonprofit licensees must keep a written record for each gift which they have given to customers with an actual cost over one hundred dollars.

Authorized "gifts" are defined in 230-06-035. The record must include:

- (1) How they selected the recipients;
- (2) The number of gifts; and
- (3) The total cost of each gift.

[Statutory Authority: RCW 9.46.070.]





## Rule Up For Filing

Proposed Amendment of  
WAC 230-07-140

Minimum accounting practices for Class D and above bingo licensees and licensees with combined activities over \$500,000.

ITEM __ (a) on the January 12, 2006, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Staff.	
Proposed Change	
<p>We propose making several changes to this rule:</p> <ol style="list-style-type: none"> <li>(1) "Calendar year" has been changed to FISCAL year to match the other references in the chapter;</li> <li>(2) To reduce redundancy, we removed "instructions for activity reports"; "double entry"; and "Record all income when earned; and record all expenses when incurred," as well as "A listing of all liabilities" and "A complete general ledger system if licensees have substantial assets or liabilities," and "bank statements, related deposit slips, and cancelled checks or facsimiles of cancelled checks." Each of these is a basic tenet of GAAP which we are requiring licensees to follow for minimum accounting requirements; and</li> <li>(3) Recording expenses allocated to various functions (subsection (7)) has been removed because the concept and process are covered elsewhere.</li> <li>(4) The final change is the only change that could be called substantive because we changed the rule to remove inconsistencies between the two dollar limits that appear in the current rule: in the title and introductory section, the rule cites \$500,000 as the dollar amount licensees must exceed in order to be required to perform certain accounting procedures, but further down in the rule, it names \$300,000 as the limit.</li> </ol>	
History of Rule	
This WAC was originally passed in 1989, but was amended in 1999.	
Impact of the Proposed Change	
None. Less restrictive to licensees.	
Regulatory Concerns	
None.	
Resource Impacts	
None.	
Policy Consideration	
None.	

Stakeholder Statements For the Proposed Rule Change
None.
Stakeholder Statements Against the Proposed Rule Change
None.
Licensees Directly Impacted
Charitable or nonprofit licensees.
Staff Recommendation
Filing for discussion.
Proposed Effective Date for Rule Change
<b>January 1, 2008.</b>

## **PROPOSED RULE**

### **230-07-140 Minimum accounting records for Class D and above bingo licensees and licensees with combined activities over \$500,000.**

Class D and above bingo licensees and licensees who are authorized for more than five hundred thousand dollars gross gambling receipts from combined gambling activities during any FISCAL year must keep accounting records necessary to document all receipts, costs, and disbursements, including, at least, those related to gambling activities.

#### **Requirements for accounting records**

For these accounting records, licensees must:

- (1) Conform to generally accepted accounting principles (GAAP) except as modified by other Commission rules; and
- (2) Include, at least:
  - (a) A cash disbursements journal and/or check register;
  - (b) A cash receipts and/or sales journal;
  - (c) A list of all assets the licensee paid for;
  - (d) A listing of all liabilities;
  - (e) A complete general ledger system; and
  - (f) A list of all donated items valued at more than two hundred fifty dollars; and

#### **Donated items**

- (3) Document donated items. Licensees must:
  - (a) Use the fair market value at the time of donation;
  - (b) Add items to the list no later than thirty days after receiving them;
  - (c) Remove items when they no longer have legal ownership; and
  - (d) Not remove an item from the list, even if it has become obsolete or completely depreciated, until management has completed and documented appropriate review. A depreciation schedule for all capitalized items is sufficient; and

- (e) Add items to the list when they convert items from gambling merchandise prize inventory to licensee use. This list must include, at least:
  - (i) A description of the item;
  - (ii) The date purchased, acquired by donation, or converted from the gambling prize pool;
  - (iii) The cost at the time of purchase or, if donated, the fair market value at the time received; and
  - (iv) The date and method of disposition of the item; and

**Method of accounting**

- (4) Use the accrual method of accounting; and
- (5) The cash, modified cash, or tax basis accounting methods may be used only if that method accurately represents the licensee's financial position, the results of operations, and the licensee does not have substantial liabilities or expenses, such as depreciation or amortization expenses, which require a current outlay of cash; and

**Expenditures for nongambling activities**

- (6) Sufficiently document all expenditures relating to nongambling activities in order to provide a satisfactory audit trail and to allow us to verify that the funds were used for the licensee's stated purpose(s); and

**Expenditures for gambling activities**

- (7) Sufficiently document all of the licensee's expenditures relating to gambling activities. Cancelled checks and bank statements are not sufficient documentation for expenditures without additional support. Licensees must provide additional support for expenditures, including:
  - (a) Invoices or other supporting documents from commercial vendors or service agencies with at least:
    - (i) The name of the person or entity selling the goods or providing the services;
    - (ii) A complete description of goods or services purchased;
    - (iii) The amount of each product sold or services provided;
    - (iv) The price of each unit;
    - (v) The total dollar amount billed; and
    - (vi) The date of the transaction.
  - (b) Documentation, in the form of checks and other written records of disbursements in excess of twenty-five dollars made directly to individuals who do not furnish normal, business type, invoices or statements. The written records must indicate at least:
    - (i) The name of the person receiving the payment;
    - (ii) The amount;
    - (iii) The date; and
    - (iv) The purpose; and
- (8) Document allocated expenditures that relate to more than one function to the various functions. Licensees must document their methods of allocation and make them available for our review; and

### **Capitalizing assets**

- (9) Include a capitalization policy based on materiality and expected life of operating assets. To determine a minimum level for capitalizing assets, licensees must:
- (a) Capitalize and depreciate, or amortize over the useful life of the asset, any assets of more than two thousand dollars that have a useful life of more than one year; and
  - (b) Capitalize and depreciate, or amortize over sixty months, beginning with the first month that bingo games are conducted, preoperating start up costs related to bingo games of more than six thousand dollars; and
  - (c) Amortize, over a period not longer than the life of the lease, any leasehold improvements related to gambling activities that are more than six thousand dollars. Licensees may extend the amortization period to include any lease option periods if the licensee's management states a reasonable expectation that they will use the lease option; and
  - (d) Charge all unamortized leasehold improvements as an expense of the gambling activities in the year that the lease expires.

[Statutory Authority: RCW 9.46.070.]

### **CURRENT RULE**

#### **WAC 230-08-095 Minimum standards for monthly and annual accounting records — Charitable or nonprofit organizations.**

Each charitable or nonprofit organization licensed to conduct bingo at Class D or above or authorized to receive more than five hundred thousand dollars gross gambling receipts from combined gambling activities during any calendar year shall maintain accounting records necessary to document all receipts and disbursements of the licensee, including but not limited to those related to gambling activities.

- (1) This accounting system shall be double entry and conform to generally accepted accounting principles (GAAP), except as modified by other commission rules and instructions for activity reports.
- (2) The accrual method of accounting shall be mandatory and all income shall be recorded when earned and all expenses recorded when incurred: Provided, That the cash, modified cash, or tax basis accounting methods may be allowed if such method accurately represents the licensee's financial position and results of operations and the licensee does not have substantial liabilities or expenses not requiring a current outlay of cash, such as depreciation or amortization expenses.
- (3) Organizations shall adopt a capitalization policy that is based on materiality and expected life of operating assets. Licensees shall use the following guidelines for determining a minimum level for capitalizing assets:
  - (a) Assets exceeding two thousand dollars and having a useful life that exceeds one year shall be capitalized and depreciated or amortized over the useful life of the asset;



(b) Preoperating start up costs related to bingo games that exceed six thousand dollars shall be capitalized and amortized over sixty months, beginning with the first month that bingo games are conducted; and  
(c) Leasehold improvements related to gambling activities, and activities conducted in conjunction with gambling activities, which exceed six thousand dollars shall be amortized over a period that does not exceed the life of the lease: Provided, That the amortization period may be extended to include any lease option periods if the organization's management states a reasonable expectation that the option will be exercised. All unamortized leasehold improvements shall be charged as an expense of the gambling activities in the year that the lease expires.

(4) The minimum accounting records required shall include:

- (a) A cash disbursements journal and/or check register;
- (b) A cash receipts and/or sales journal;
- (c) A listing of all assets for which the organization paid or, if donated, valued at more than two hundred fifty dollars. If donated to the organization, the fair market value at the time of donation will be used as the determining value. Items shall be added to the listing no later than thirty days after receipt and removed only when the organization no longer has legal ownership. Regardless of whether an item has become obsolete or completely depreciated, it shall be removed only after appropriate management review has been completed and documented. A depreciation schedule shall suffice for this requirement for all capitalized items. Items converted from gambling merchandise prize inventory, required by WAC 230-08-110, to be used by the organization shall be added to this listing when converted. This listing shall include at least the following:
  - (i) A description of the item;
  - (ii) The date purchased, acquired by donation, or converted from the gambling prize pool;
  - (iii) The cost at the time of purchase or, if donated, the fair market value at the time received; and
  - (iv) The date and method of disposition of the item;
- (d) A listing of all liabilities;
- (e) A complete general ledger system must be maintained if the licensee has substantial assets and/or liabilities or if licensed to receive more than \$300,000 in gross gambling receipts; and
- (f) Bank statements, related deposit slips, and cancelled checks.

(5) All expenditures by the licensee relating to gambling activities, shall be sufficiently documented. Cancelled checks and bank statements are not sufficient documentation without further support. Additional support for expenditures shall be provided in the following manner:

- (a) Invoices or other appropriate supporting documents from commercial vendors or service agencies should contain at least the following details:
  - (i) The name of the person or entity selling the goods or providing the service;
  - (ii) A complete description of goods or services purchased;

- (iii) The amount of each product sold or service provided;
  - iv) The price of each unit;
  - (v) The total dollar amount billed; and
  - (vi) The date of the transaction.
- (b) Disbursements, in excess of twenty-five dollars, made directly to individuals, who do not furnish normal, business type, invoices or statements, shall be made by check and supported by other written documentation indicating at least the following details:
  - (i) The name of the person receiving the payment;
  - (ii) The amount;
  - (iii) The date; and
  - (iv) The purpose.
- (6) All expenditures by the licensee relating to nongambling activities shall be sufficiently documented to provide an audit trail satisfactory to allow verification that the funds were used for the organization's purpose(s) and conforms to generally accepted accounting principles.
- (7) Expenditures that relate to more than one function shall be allocated to the various functions, for example program service expenses, supporting service expenses, etc. Methods of allocation shall be documented and available for commission staff review.

[Statutory Authority: RCW 9.46.070.]

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## Rule Up For Filing

Proposed Amendment of  
WAC 230-07-145  
Reporting annual progress.

ITEM __ (a) on the January 12, 2006, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Staff.	
Proposed Change	
<p>We propose removing a large number of the "laundry list" of items to be included on the annual progress report because what is required is listed on a form licensees must complete. We have changed the wording of other existing rules to align the forms we give licensees with the wording in the rules. For this particular rule, items that have been removed are in the current Licensing Operations Division form.</p> <p>A second change we propose is to remove subsection (18) which states that we "may request licensees in Group II to submit financial statements and other information required by this rule in order to evaluate the organization's qualification." We do not request those documents; instead, we use other means to evaluate an organization's qualifications.</p> <p>Finally, we changed subsection (9) to add phrase "direct relatives" rather than use the list in the current rule. We propose this change to add consistency between rules. It does, however, increase the number of people licensees must report.</p>	
History of Rule	
This WAC was originally passed in 1989, but was amended in 1999.	
Impact of the Proposed Change	
The changes in the first subsections have no impact. We are already requiring licensees to submit these documents. The change to subsection (9) is more restrictive, but adds consistency between rules.	
Regulatory Concerns	
None.	
Resource Impacts	
None.	
Policy Consideration	
None.	
Stakeholder Statements For the Proposed Rule Change	
None.	
Stakeholder Statements Against the Proposed Rule Change	
None.	

Licensees Directly Impacted
Charitable or nonprofit licensees.
Staff Recommendation
Filing for discussion.
Proposed Effective Date for Rule Change
January 1, 2008.

## ***Required Annual Reports***

### **PROPOSED RULE**

#### **230-07-145 Reporting annual progress.**

Charitable or nonprofit licensees must report annually their progress toward meeting their stated purpose in the format we prescribe. This report must explain the type and scope of activities which licensees conducted during their last annual FISCAL accounting period. In addition, the report must include, at least:

- (1) A brief history of the licensed organization, including its stated charitable or nonprofit purpose(s);
- (2) A written statement setting out their goals for meeting their stated charitable or nonprofit purpose(s) in the future;
- (3) The number of full and regular members;
- (4) A list of contributions, scholarships, grants, or sponsorships made during the period. This list must include:
  - (a) The name of each organization or individual receiving a contribution from the licensee. The licensee may use the phrase "individual contribution" in place of the recipient. If the recipient is not named in the report, the licensee must maintain records to verify and identify the recipient of each individual contribution; and
  - (b) Whether funds awarded were from gambling income or other funds; and
- (5) Gross income from all nongambling activities and the source of the income;
- (6) The revenue and expenses for any nongambling sales activities, presented separately, when conducted primarily in conjunction with gambling activities;
- (7) Total expenses for both charitable or nonprofit services;
- (8) The percentage or extent to which the licensee used net gambling income for charitable as distinguished from nonprofit purposes; and
- (9) The details of any loans, contracts, or other business transactions with related parties that accumulatively exceed one thousand dollars during the period. "Related parties" means officers, board members, key employees, or members of the licensed organization, including direct relatives of each.

### **CURRENT RULE**

**WAC 230-08-122 Annual progress and financial report — All nonprofit and charitable organizations.**

Each charitable or nonprofit organization licensed to conduct gambling activities shall report annually the progress made toward accomplishment of its stated purposes. This report shall be made on a standard form provided by the commission and explain the type and scope of activities that were conducted during the organization's last annual FISCAL accounting period. If any applicant has provided such information on an application within the preceding twelve months, only those items that have changed must be reported. This report shall include at least the following information:

- (1) A brief history of the organization, including its purpose(s): Provided, That only changes in the purposes and organizational structure need to be reported after the initial application;
- (2) A written statement setting out the progress made in meeting its organizational purpose(s) during the period and its goals for the future;
- (3) Number of membership meetings conducted;
- (4) Number of active members, as defined by WAC 230-02-183;
- (5) Number of voting members;
- (6) The nature, type, or kind of programs provided to members or the public;
- (7) The scope of the organization's programs, including:
  - (a) Number of persons served;
  - (b) The primary geographical service area; and
  - (c) Number of volunteer workers and estimation of hours worked;
- (8) A list of contributions, scholarships, grants, or sponsorships made during the period. The list must include the following:
  - (a) The name of each organization or individual receiving a contribution. In the alternative, if a contribution was made to an individual for charitable purposes, the term "individual contribution" may be used instead of the individual's name. If individual names are omitted, the organization must maintain necessary records to verify and identify the recipient for each individual contribution;
  - (b) The amount(s);
  - (c) Date(s) made; and
  - (d) Whether funds awarded were from gambling income or other funds;
- (9) Gross income from all nongambling activities, including the source;
- (10) Total expenses for both charitable and nonprofit services;
- (11) The percentage or extent to which net gambling income was used for charitable as distinguished from nonprofit purposes;
- (12) Revenue and expenses for any nongambling sales activities must be presented separately when conducted primarily in conjunction with gambling activities;
- (13) Details of any loans, contracts, or other business transactions with related parties that accumulatively exceed one thousand dollars during the period. "Related parties" is defined as officers, board members, key employees, or members of the organization, including spouses, parents, children, and brothers or sisters of each;

(14) The names, duties performed, total hours worked, and total compensation paid for the following employees:

- (a) All employees paid more than forty thousand dollars annually;
- (b) Part-time employees paid more than twenty dollars per hour; and
- (c) All officers receiving compensation for services rendered;

(15) In addition to information required in subsection (1) of this section, any organization licensed to conduct gambling activities in Group III, IV, or V must submit complete financial statements prepared in accordance with generally accepted accounting principles and all required disclosures or footnotes. Any organization licensed to conduct gambling activities in Groups IV and V must submit financial statements prepared by a licensed certified public accountant. This information must be submitted no later than one hundred twenty days following the end of the organization's FISCAL year. The financial statements must include:

- (a) A statement of financial position;
- (b) A statement of activities. This statement may be presented in a consolidated form if details of each component are provided as supplemental information. Revenue and expenses for each activity must be presented separately as follows:
  - (i) Each gambling activity;
  - (ii) Retail sales conducted in conjunction with gambling activities;
- (c) A statement of cash flows;
- (d) A statement of functional expenses;
- (e) In addition to all disclosures required by generally accepted accounting principles, the financial statements must disclose the following:
  - (i) Loans to or from officers, board members, and employees: Provided, That employee salary advances of five hundred dollars or less will not be considered as loans. Details of all terms, including interest rates and payment schedules, must be disclosed;
  - (ii) All civil penalties, fines, bribes, or embezzlements incurred or discovered during the period; and
  - (iii) An explanation of any adjustments made to prior period capital accounts or net asset balances;
- (f) An explanation of material differences between amounts reported on gambling activity reports and the financial statements;

(16) The commission may require additional information to ensure completeness of the information reported including selected information covering the period from the end of the FISCAL year reported and the license renewal date;

(17) The commission may grant an organization additional time to submit the information required if a written request is received prior to the due date. Any request for additional time shall be signed by the president, include a statement setting out the hardship necessitating the delay, and the expected date the required report(s) will be submitted;

(18) The commission may request any organization licensed to conduct gambling activities in Group II to submit financial statements and other information required by this rule in order to evaluate the organization's qualification.

[Statutory Authority: RCW 9.46.070. 98-15-073 (Order 358), § 230-08-122, filed 7/15/98, effective 1/1/99. Statutory Authority: RCW 9.46.070 (1), (8-11), (14), (16), (20). 96-07-075, § 230-08-122, filed 3/19/96, effective 7/1/96. Statutory Authority: RCW 9.46.070 (7), (8), (9), (10), (14), (19) and (20). 89-09-047 (Order 190), § 230-08-122, filed 4/18/89, effective 7/1/89.]

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## Rule Up For Filing

Proposed Amendment of  
WAC 230-07-150

Financial statements required for Groups III, IV, and V.

ITEM __ (a) on the January 12, 2006, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Staff.	
Proposed Change	
We propose requiring charitable or nonprofit licensees to use an <i>independent</i> certified public accountant, not just a <i>licensed</i> public accountant to prepare their financial statements. Without this change, a licensee could have an in-house accountant who is also a licensed CPA prepare the records rather than an independent CPA. Many licensees are already using independent CPAs; we're codifying what is the current practice.	
History of Rule	
This WAC was originally passed in 1989, but was amended in 1999.	
Impact of the Proposed Change	
Minimal. It will require some licensees to seek an independent CPA.	
Regulatory Concerns	
None.	
Resource Impacts	
None.	
Policy Consideration	
None.	
Stakeholder Statements For the Proposed Rule Change	
None.	
Stakeholder Statements Against the Proposed Rule Change	
None.	
Licensees Directly Impacted	
Charitable or nonprofit licensees.	
Staff Recommendation	
Filing for discussion.	
Proposed Effective Date for Rule Change	
January 1, 2008.	

## **PROPOSED RULE**

### **230-07-150 Financial statements required for Groups III, IV, and V.**

- (1) In addition to information required in 230-07-028, charitable or nonprofit licensees in Groups III, IV, and V must also submit complete financial statements prepared in accordance with generally accepted accounting principles (GAAP).
- (2) Licensees in Groups IV and V must have the financial statements prepared by an independent certified public accountant.
- (3) The statements and all required disclosures or footnotes no later than one hundred twenty days following the end of the licensee's FISCAL year.
- (4) The financial statements must include:
  - (a) A statement of financial position;
  - (b) A statement of activities. This statement may be presented in a consolidated form if licensees provide the details of each component as supplemental information. Licensees must present revenue and expenses for each activity separately as follows:
    - (i) Each gambling activity; and
    - (ii) Retail sales conducted in conjunction with gambling activities;
  - (c) A statement of cash flows;
  - (d) A statement of functional expenses;
  - (e) In addition to all disclosures required by GAAP, the financial statements must disclose the following:
    - (i) Loans to or from officers, board members, and employees: We will not consider employee salary advances of five hundred dollars or less as loans. Details of all terms, including interest rates and payment schedules, must be disclosed;
    - (ii) All civil penalties, fines, bribes, or embezzlements incurred or discovered during the period; and
    - (iii) An explanation of any adjustments made to prior period capital accounts or net asset balances;
  - (f) An explanation of material differences between amounts reported on gambling activity reports and the financial statements.
- (5) We may require additional information to ensure completeness of the information reported.
- (6) We may grant an organization additional time to submit the information required if a written request is received before the due date. The president of the organization must sign any request for additional time and include a statement explaining the hardship causing the delay, and the expected date the required report(s) will be submitted.

[Statutory Authority: RCW 9.46.070.]

## **CURRENT RULE**

### **WAC 230-08-122 Annual progress and financial report — All nonprofit and charitable organizations.**

Each charitable or nonprofit organization licensed to conduct gambling activities shall report annually the progress made toward accomplishment of its stated purposes. This report shall be made on a standard form provided by the commission and explain the type and scope of activities that were conducted during the organization's last annual FISCAL accounting period. If any applicant has provided such information on an application within the preceding twelve months, only those items that have changed must be reported. This report shall include at least the following information:

- (1) A brief history of the organization, including its purpose(s): Provided, That only changes in the purposes and organizational structure need to be reported after the initial application;
- (2) A written statement setting out the progress made in meeting its organizational purpose(s) during the period and its goals for the future;
- (3) Number of membership meetings conducted;
- (4) Number of active members, as defined by WAC 230-02-183;
- (5) Number of voting members;
- (6) The nature, type, or kind of programs provided to members or the public;
- (7) The scope of the organization's programs, including:
  - (a) Number of persons served;
  - (b) The primary geographical service area; and
  - (c) Number of volunteer workers and estimation of hours worked;
- (8) A list of contributions, scholarships, grants, or sponsorships made during the period. The list must include the following:
  - (a) The name of each organization or individual receiving a contribution. In the alternative, if a contribution was made to an individual for charitable purposes, the term "individual contribution" may be used instead of the individual's name. If individual names are omitted, the organization must maintain necessary records to verify and identify the recipient for each individual contribution;
  - (b) The amount(s);
  - (c) Date(s) made; and
  - (d) Whether funds awarded were from gambling income or other funds;
- (9) Gross income from all nongambling activities, including the source;
- (10) Total expenses for both charitable and nonprofit services;
- (11) The percentage or extent to which net gambling income was used for charitable as distinguished from nonprofit purposes;
- (12) Revenue and expenses for any nongambling sales activities must be presented separately when conducted primarily in conjunction with gambling activities;
- (13) Details of any loans, contracts, or other business transactions with related parties that accumulatively exceed one thousand dollars during the period. "Related parties" is defined as officers, board members, key employees, or

members of the organization, including spouses, parents, children, and brothers or sisters of each;

(14) The names, duties performed, total hours worked, and total compensation paid for the following employees:

- (a) All employees paid more than forty thousand dollars annually;
- (b) Part-time employees paid more than twenty dollars per hour; and
- (c) All officers receiving compensation for services rendered;

(15) In addition to information required in subsection (1) of this section, any organization licensed to conduct gambling activities in Group III, IV, or V must submit complete financial statements prepared in accordance with generally accepted accounting principles and all required disclosures or footnotes. Any organization licensed to conduct gambling activities in Groups IV and V must submit financial statements prepared by a licensed certified public accountant. This information must be submitted no later than one hundred twenty days following the end of the organization's FISCAL year. The financial statements must include:

- (a) A statement of financial position;
- (b) A statement of activities. This statement may be presented in a consolidated form if details of each component are provided as supplemental information. Revenue and expenses for each activity must be presented separately as follows:
  - (i) Each gambling activity;
  - (ii) Retail sales conducted in conjunction with gambling activities;
- (c) A statement of cash flows;
- (d) A statement of functional expenses;
- (e) In addition to all disclosures required by generally accepted accounting principles, the financial statements must disclose the following:
  - (i) Loans to or from officers, board members, and employees:  
Provided, That employee salary advances of five hundred dollars or less will not be considered as loans. Details of all terms, including interest rates and payment schedules, must be disclosed;
  - (ii) All civil penalties, fines, bribes, or embezzlements incurred or discovered during the period; and
  - (iii) An explanation of any adjustments made to prior period capital accounts or net asset balances;
- (f) An explanation of material differences between amounts reported on gambling activity reports and the financial statements;

(16) The commission may require additional information to ensure completeness of the information reported including selected information covering the period from the end of the FISCAL year reported and the license renewal date;

(17) The commission may grant an organization additional time to submit the information required if a written request is received prior to the due date. Any request for additional time shall be signed by the president, include a statement setting out the hardship necessitating the delay, and the expected date the required report(s) will be submitted;

(18) The commission may request any organization licensed to conduct gambling activities in Group II to submit financial statements and other information required by this rule in order to evaluate the organization's qualification.

[Statutory Authority: RCW 9.46.070. 98-15-073 (Order 358), § 230-08-122, filed 7/15/98, effective 1/1/99. Statutory Authority: RCW 9.46.070 (1), (8-11), (14), (16), (20). 96-07-075, § 230-08-122, filed 3/19/96, effective 7/1/96. Statutory Authority: RCW 9.46.070 (7), (8), (9), (10), (14), (19) and (20). 89-09-047 (Order 190), § 230-08-122, filed 4/18/89, effective 7/1/89.]





## Rule Up For Filing

Proposed Amendment of  
WAC 230-07-155

Reporting annual activity for raffles, amusement games, Class A, B,  
or C bingo, or combination licenses.

ITEM __ (a) on the January 12, 2006, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Staff.	
Proposed Change	
We propose removing a large number of the "laundry list" of items to be included on the annual progress report because what is required is listed on a form licensees must complete.	
History of Rule	
This WAC was originally passed in 1983, but was amended in 1997.	
Impact of the Proposed Change	
Licensees will experience no impact because they have been complying with this.	
Regulatory Concerns	
None.	
Resource Impacts	
None.	
Policy Consideration	
None.	
Stakeholder Statements For the Proposed Rule Change	
None.	
Stakeholder Statements Against the Proposed Rule Change	
None.	
Licensees Directly Impacted	
Charitable or nonprofit licensees.	
Staff Recommendation	
Approval for the rule.	
Proposed Effective Date for Rule Change	
January 1, 2008.	

## **PROPOSED RULE**

### **230-07-155 Reporting annual activity for raffles, amusement games, Class A, B, or C bingo, or combination licenses.**

- (1) Raffle, amusement game, Class A, B, or C bingo, or combination licensees must submit an annual report of all their activities in the format we require.
- (2) We must receive the completed report in our office postmarked no later than thirty days following the expiration of their license(s).
- (3) The highest ranking officer or his/her designee must sign the report.
- (4) If the licensee has someone else prepare the report, then the preparer must include his/her name and phone number on the report.
- (5) Licensees that operate retail sales activities in conjunction with bingo games must report the net income from those retail sales activities.

[Statutory Authority: RCW 9.46.070.]

## **CURRENT RULE**

### **WAC 230-08-125 Annual activity reports — Certain activities operated by charitable or nonprofit organizations.**

Each charitable or nonprofit organization licensed to operate raffles, amusement games, Class A, B, or C bingo games, or combination license shall submit to the commission an annual summary of all such activities. The annual report shall be completed as follows:

- (1) The report form shall be furnished by the commission, and the completed report shall be received in the office of the commission or postmarked no later than thirty days following the expiration of such organization's license year.
- (2) The report shall be signed by the highest ranking officer or his/her designee. If the report is prepared by someone other than this officer, then the preparer shall include his/her name and phone number on the report;
- (3) The report shall be completed in accordance with the related instructions furnished with the report. The report shall include, among other items, the following:
  - (a) The gross gambling receipts from the conduct of each licensed activity;
  - (b) The total amount of cash prizes actually paid out, and the total of the cost to the licensee of all merchandise prizes actually paid out for each licensed activity. Donated prizes will be recorded at the fair market value of the prize at the time they were received by the organization;
  - (c) The net gambling receipts for each activity;
  - (d) Full details on all expenses directly related to each activity, including all compensation paid by the licensee to each person for any work connected with the management, promotion, conduct or operation of each of the licensed activities, including a description of the work performed by that person: Provided, That RCW 9.46.0277 and WAC 230-20-070 are observed in relation to the restriction against employing persons to conduct or otherwise take part in the operation of a raffle;
  - (e) The net income from each activity;



- (f) The total number of sessions conducted during the year; and
  - (g) The total number of players participating in bingo games.
- (4) In addition, organizations that operate retail sales activities in conjunction with bingo games shall report the net income from such.

[Statutory Authority: RCW 9.46.070 and 9.46.116. 96-24-007 (Order 304), § 230-08-125, filed 11/21/96, effective 1/1/97. Statutory Authority: RCW 9.46.070 (1)(16). 90-10-007, § 230-08-125, filed 4/19/90, effective 7/1/90. Statutory Authority: RCW 9.46.070 (7), (8), (9), (10), (14), (19) and (20). 89-09-047 (Order 190), § 230-08-125, filed 4/18/89, effective 7/1/89. Statutory Authority: RCW 9.46.070 (8) and (9). 85-06-002 (Order 147), § 230-08-125, filed 2/22/85. Statutory Authority: RCW 9.46.070 (4), (7), (8) and (11). 83-06-077 (Order 127), § 230-08-125, filed 3/2/83.]

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**230-07-160 Reporting annual activity for agricultural fairs.**

- (1) Charitable or nonprofit licensees who operate bingo, raffles, and/or amusement games only at agricultural fairs and other special properties and permittees as defined in WAC 230-03-015 who operate bingo under another's license at agricultural fairs and other special properties must submit an annual report of all their activities in the format we require.
- (2) We must receive the completed report in our office postmarked no later than thirty days following the expiration of the license year.
- (3) Permittees operating under another's license must provide the licensee with all information about the permitted operation that is needed by the licensee to complete the annual activity report not less than ten days before the time that we require the licensee to file his or her report.
- (4) The highest ranking officer or his or her designee must sign the report. If the licensee has someone else prepare the report, then the preparer must include his or her name and phone number on the report.

[Statutory Authority: RCW 9.46.070.]

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## Rule Up For Filing

Proposed Repeal of  
WAC 230-46-100

Playing limited social card games without a license.

ITEM __ (a) on the January 12, 2006, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Staff.	
Proposed Change	
We propose repealing this rule because during the recodification of the statute, our statutory authority to allow this unlicensed activity was omitted. The law only allows charitable or nonprofit organizations that have a Class H liquor license to conduct card games without a separate card game license.	
History of Rule	
This WAC was originally passed in 1995, but was amended in 1996.	
Impact of the Proposed Change	
Organizations without a Class H liquor license will be required to get a Class A, B, or D card game license.	
Regulatory Concerns	
None.	
Resource Impacts	
None.	
Policy Consideration	
None.	
Stakeholder Statements For the Proposed Rule Change	
None.	
Stakeholder Statements Against the Proposed Rule Change	
None.	
Licensees Directly Impacted	
Charitable or nonprofit licensees.	
Staff Recommendation	
Filing for discussion.	
Proposed Effective Date for Rule Change	
January 1, 2008.	

**~~230-46-100 Bona fide charitable nonprofit organizations — Limited social card games without obtaining a license — Conditions.~~**

~~Bona fide charitable or nonprofit organizations may, as defined by RCW 9.46.0209, allow limited social card games to be played upon their premises without obtaining a license under the conditions set out below:~~

- ~~(1) Only bona fide members of the organization and members of a chapter or unit organized under the same state, regional, or national chapter who are players, as defined by RCW 9.46.0265, are allowed to participate;~~
- ~~(2) No person is, directly or indirectly, charged a fee to participate;~~
- ~~(3) Only bona fide members of the organization and members of a chapter or unit organized under the same state, regional, or national charter, who are not compensated for such services, are permitted to perform any work or service in support of such card games;~~
- ~~(4) The types of card games played are limited to the following: Provided, That a charitable or nonprofit organization may petition the director for approval of additional games on a case by case basis, which would be effective for no longer than six months or until approved by the commission whichever occurs first:
  - ~~(a) Hearts;~~
  - ~~(b) Rummy;~~
  - ~~(c) Pitch;~~
  - ~~(d) Pinochle;~~
  - ~~(e) Cribbage;~~
  - ~~(f) Bridge;~~
  - ~~(g) Bid Whist; and~~
  - ~~(h) Dominos; and~~~~
- ~~(5) All restrictions regarding the granting of credit, method and amount of wagers, and rules of play set out in this title and chapter 9.46 RCW are followed.~~

~~[Statutory Authority: RCW 9.46.0281, 9.46.070 (1), (2), (14) and (20). 96-11-073, § 230-46-100, filed 5/13/96, effective 7/1/96. Statutory Authority: RCW 9.46.070. 94-23-007, § 230-46-100, filed 11/3/94, effective 1/1/95.]~~

**RCW 9.46.0351 Social card, dice games — Use of premises of charitable, nonprofit organizations.**

(1) The legislature hereby authorizes any bona fide charitable or nonprofit organization which is licensed pursuant to RCW 66.24.400, and its officers and employees, to allow the use of the premises, furnishings, and other facilities not gambling devices of such organization by members of the organization, and members of a chapter or unit organized under the same state, regional, or national charter or constitution, who engage as players in the following types of gambling activities only:

- (a) Social card games; and
- (b) Social dice games, which shall be limited to contests of chance, the outcome of which are determined by one or more rolls of dice.

(2) Bona fide charitable or nonprofit organizations shall not be required to be licensed by the commission in order to allow use of their premises in accordance with this section.

However, the following conditions must be met:

- (a) No organization, corporation, or person shall collect or obtain or charge any percentage of or shall collect or obtain any portion of the money or thing of value wagered or won by any of the players: PROVIDED, That a player may collect his or her winnings; and
- (b) No organization, corporation, or person shall collect or obtain any money or thing of value from, or charge or impose any fee upon, any person which either enables him or her to play or results in or from his or her playing: PROVIDED, That this subsection shall not preclude collection of a membership fee which is unrelated to participation in gambling activities authorized under this section.

[1999 c 143 § 5; 1987 c 4 § 34. Formerly RCW 9.46.030(9).]